

No. 13,094

IN THE  
United States  
Court of Appeals

For the Ninth Circuit

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ANTONE PAGLIERO and ARTHUR PAGLIERO,  
general partners doing business as  
Technical Porcelain & Chinaware Co.,  
*Defendants-Appellants,*

VS.

WALLACE CHINA Co., LTD., a Corporation,  
*Plaintiff-Appellee.*

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APPELLANTS' OPENING BRIEF

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APPELLANTS' OPENING BRIEF

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This is an appeal from an interlocutory judgment (R. 89) of Judge Murphy granting a preliminary injunction *pendente lite* following an *ex parte* Order to Show Cause (R. 63) served with the complaint in a suit for alleged trademark infringement and unfair competition brought by Plaintiff-Appellee against Defendants-Appellants (R. 3). Judgment was entered herein upon findings of fact and conclusions of law (R. 83-88).

## **JURISDICTION**

It is claimed by Plaintiff-Appellee (R. 4) and found by the District Court (R. 86), but denied by Defendants-Appellants, that the District Court has jurisdiction of this cause under the Lanham Act, 15 U.S.C.A. § 1051-1127, under the Paris Convention, and under the Inter-American Convention. Appellate jurisdiction of this Court is based upon 28 U.S.C.A. § 1292. Judgment was entered by the District Court on June 21, 1951 (R. 92) and this appeal was taken June 26, 1951 (R. 92), within the statutory period. Although suit was brought for trade-mark infringement, no trade-mark is alleged to be infringed and, indeed, it is freely admitted that Appellee's notations are not registered trade-marks (R. 104, 108) and the Court so found (R. 84). Does the Lanham Act provide jurisdiction for infringement of unregistered trade-marks, is a question and issue on this appeal. Since there is no diversity of citizenship (R. 3), one of the fundamental questions here raised is whether the District Court had jurisdiction to enter judgment and grant the preliminary injunction in a case involving a naked claim of unfair competition, where there is no substantial and related claim under the copyright, patent or trade-mark laws.

## **STATEMENT OF THE CASE**

### **The Parties**

Defendants-Appellants, Antone Pagliero and Arthur Pagliero, are general partners in a partnership known as Technical Porcelain & Chinaware Co., which is also known as TEPCO (R. 68, 74, 27, 41). For convenience the Defendants-Appellants shall hereafter be referred to as



Tepco. Both the individual Defendants-Appellants and the partnership are residents of the Northern District of California, Southern Division (R. 68, 74). They manufacture (R. 72) and sell table chinaware known as vitrified hotel chinaware to jobbers and dealers *only* (R. 75).

Plaintiff-Appellee, Wallace China Co., Ltd., is a corporation having its principal place of business at Huntington Park, County of Los Angeles, California (R. 3). For convenience Plaintiff-Appellee shall hereafter be referred to as Wallace. It, likewise, manufactures and sells vitrified hotel chinaware (R. 4, 37) to dealers (R. 38).

There is no diversity of citizenship in this case.

### **Subject Matter**

The vitrified hotel chinaware made by both Tepco and Wallace is substantially identical as to physical properties as both are made to conform with Federal specifications (R. 72) for vitrified chinaware as set forth in Specification NC-301a (Defs. Ex. L). Likewise, they are made in substantially identical shapes, sizes and forms. The substantial identities of the physical properties, the form, the sizes, and shapes of this chinaware are not involved in any charge brought by Wallace, except that Wallace says Tepco products are inferior in quality. Obviously, the Federal specifications do not set a standard of inferior quality.

Two separate and distinct causes of action are jumbled together in the complaint and not separately stated as preferred under the rules (F.R.C.P. 10, Sec. (b)), although such confused pleading is permitted (F.R.C.P. 8(e) (2)). The confusion resulting from inexorably mixing two separate and distinct alleged claims tends to confound the Court and Tepco. The jurisdictional allegations of the

complaint very precisely state that there are two causes of action, one for trade-mark infringement (R. 4), and the other for unfair competition (R. 4), but the remainder of the complaint makes no separation whatever. Accordingly, it is constantly necessary to sort out the allegations directed to the alleged Federal claim for trade-mark infringement and those allegations directed to the alleged Federal claim for unfair competition.

### **The Alleged Federal Cause of Action for Trade-Mark Infringement**

Neither in the complaint, nor in any of the papers filed by Wallace in connection with the Order to Show Cause, is there any allegation of trade-mark infringement. The words claimed by Wallace are alleged to be "trade names" *not* trade-marks. The Court found that *no registered trade-mark is involved* (R. 84). The names which Wallace alleges have been unlawfully appropriated by Tepco, "Magnolia," "Hibiscus," "Tweed" and "Shadowleaf," are only names used to identify patterns or designs used by Wallace to decorate its china (R. 39, 7, 21, 24). Even Wallace and its attorneys do not have the temerity to call these names "trade-marks," but instead refer to them as "trade names." This distinction made by Wallace, with full specialized knowledge of the law, has an important bearing not only upon the jurisdiction of the Court but also upon whether or not a cause of action for trade-mark infringement has been stated.

### **The Alleged Federal Unfair Competition Cause of Action**

The charge of unfair competition specifies three separate and distinct matters of Defendants' conduct: (1) that Tepco

has appropriated four certain designs used by Wallace to decorate its china (R. 7); (2) that Tepco has conspired with the engraver who prepared the engraving rolls for Wallace, and had him copy the engraved rollers made for the Wallace designs (R. 7); (3) that Tepco has copied the color, marking, and arrangement of the Wallace shipping cartons (R. 8). The acts alleged in (2) and (3) above were not seriously urged by Wallace and there is no finding by the Court on either of these allegations.

There is not now and never has been any charge or claim that Tepco passed off any of its products as and for those of Wallace and, on the contrary, it affirmatively appears that each piece of such chinaware manufactured by Wallace bears its registered trade-mark "Wallace" (Plf. Ex. 1) and that each piece of Tepco ware bears its trade-mark "TEPCO" (Plf. Ex. 2, Defs. Ex. D to H; R. 72, 79). These are the trade-marks which identify each manufacturer as the source or origin of the products, and these trade-marks are placed in the location established by custom and used by china manufacturers for many years (R. 73-79). The so-called Wallace trade names "Magnolia, "Hibiscus," "Tweed" and "Shadowleaf" do not appear on the products.

It was alleged by Tepco and not denied, that it is the custom and common practice of manufacturers of chinaware to duplicate, simulate, and approximate designs used by other manufacturers in the decoration of chinaware (R. 76, Defs. Ex. G and H). The practice, however, does not extend to patterns protected by Design Patents, which give the owners a limited monopoly. The reason for the practice was stated to be (R. 77) that if a user becomes dissatisfied for any reason with a manufacturer of chinaware, or if he

could get it made cheaper by another, he could get a pattern which would be compatible and fit in with the chinaware he had, so he would not be forced to discard it. Under the practice and custom, the customer and the public are, therefore, not hamstrung by the monopoly of a single source of supply which could force them to pay an exorbitant price or set impossible delivery dates or otherwise make free competition impossible.

It is said that the pattern named "Shadowleaf" was placed on china by Wallace and sold by it in 1948 (R. 34, 41) and it is admitted by Wallace that Tepco came into the market with the pattern of Plf. Ex. 2 in October 1949 (R. 26, 41), two years ago. No dates are given as to the other three patterns here involved and it is merely stated that such designs have been used in interstate commerce or commerce which may lawfully be regulated by Congress. Tepco, however, showed that it has used the name "Tweed" to designate the design complained about by Wallace, since April 1941 (Defs. Ex. J. R. 78), long prior to any use by Wallace.

Upon these allegations and showings, the Court enjoined Tepco from making or selling any chinaware bearing patterns deceptively similar to the patterns of Plf. Ex. 3, 9, 11 and 13, and from using Plaintiff's "trade names or trademarks," "Magnolia," "Hisbiscus," "Tweed" and "Shadowleaf" (R. 91). Relief from the paralyzing effect of this injunction was secured by an order granting supersedeas (R. 93) and at the cost of substantial security in lieu of a bond (R. 94).

**SPECIFICATION OF ERRORS**

The errors relied upon and urged in this appeal are as follows:

1. The Court erred in finding and holding that Wallace is the owner of the trade names or trade-marks "Magnolia," "Hisbiscus," "Tweed" and "Shadowleaf" as applied to hotel china and is entitled to the exclusive use thereof against Tepco although there was no showing whatever that Wallace owned any of these marks, and in spite of the holding that none of them was registered under any Federal Act or under the laws of the State of California; in spite of the complete failure to show that the names were anything other than descriptive designations for designs; in spite of the fact that the names could not function either as trade-marks or trade names, and, further, in spite of the fact that there is no allegation that these names are trade-marks.

2. The Court erred in finding and holding that Wallace is the owner of the distinctive patterns identified by the trade names or trade-marks "Shadowleaf," "Tweed," "Hisbiscus" and "Magnolia," exemplified by Exhibits 3, 9, 11 and 13 appended to the motion for preliminary injunction and that it is entitled to the exclusive right to incorporate said patterns on hotel china even though none of these patterns has been copyrighted or protected by Design Letters Patent and the time for so doing has long since passed, and in spite of the fact that mere distinctiveness does not give it a monopoly in these designs; and in spite of the fact that each of these designs is in the public domain, that the copying of designs in the public domain is not a tort, and in spite of the fact that the custom in the business is for manufacturers to copy and simulate designs in the public domain for the benefit of the customers and the public.



3. The Court erred in finding and holding that the Court had jurisdiction under the Lanham Act 15 U.S.C.A. § 1051-1127, under the Paris Convention and the Inter-American Convention, in spite of the fact that no registered trade-mark is involved which would provide the basis for the statutory relief given in the Act, that there is a complete failure to state any cause of action for trade-mark infringement, and also in spite of the fact that the claim is merely one for a naked charge of unfair competition apart from any cause of action for patent, trade-mark, copyright, or trade name infringement and further, that there is a complete and abject failure to state a cause of action for unfair competition.

4. The Court erred in finding and holding that the Tepco by manufacturing, advertising and selling hotel china under the trade names or trade-marks "Magnolia," "Hibiscus," "Tweed" and "Shadowleaf" have infringed any right or competed unfairly with Plaintiff, as no valid right or claim has been established by Wallace.

5. The Court erred in finding and holding that Tepco by copying and imitating Plaintiff's patterns identified by the trade names or trade-marks "Magnolia," "Hibiscus," "Tweed" and "Shadowleaf" as exemplified by Exhibits 3, 9, 11 and 13, has competed unfairly with Wallace.

6. The Court erred in finding and holding that Wallace is entitled to a preliminary injunction against Tepco as prayed.

7. The Court erred in finding and holding that Tepco was guilty of unfair competition even though there was no passing off of Tepco products as and for Wallace's and even though the products of both Tepco and Wallace are

clearly marked, each with its own trade-mark, and even though it has long been the practice in the industry for manufacturers to copy or simulate designs used by other manufacturers unless the said designs were either protected by Design Letters Patent or copyrighted.

### **ARGUMENT OF THE CASE**

#### **The Granting of the Preliminary Injunction Against Tepco Was Improper and Should Be Dissolved**

The granting of a preliminary injunction is usually withheld unless the Court, by examination of the pleadings and the affidavits, can determine that a *prima facie* case has been established, and the undisputed facts show that there is probable cause for an injunction on final hearing. The pleadings and the affidavits filed by the parties make it abundantly clear that the granting of the preliminary injunction against Tepco was an abuse of discretion and a grave injustice.

As already pointed out under the trade-mark cause of action, the Court found that no registered trade-mark is involved in this case (R. 84). Accordingly, Wallace has not established *prima facie* ownership in or right to the very words which are the subject matter of this cause of action. There is nothing in the pleadings or the affidavits from which the Court could conclude ownership of these words as the pleadings merely allege adoption and use (R. 5), which, of course, do not establish or show even *prima facie* ownership. On the contrary Tepco's affidavits have denied that these words are trade-marks or even trade names (par. 1, R. 68, 74).

It is clear from the complaint and the affidavits that the words "Magnolia," "Hibiscus," "Tweed" and "Shadowleaf" are not even alleged to be trade-marks, but are merely descriptive terms used by Wallace to identify designs. There is not only a complete failure to establish a *prima facie* ownership of these as trade-marks, but a complete failure to show that trade-marks are involved. No amendment is possible to cure these failures because the allegations show these names to be descriptive, generic words belonging to the public and having no trade-mark significance and are, therefore, not subject to injunction.

The unfair competition cause of action is founded upon the allegations which are repeated in the statements of the affidavits filed by Wallace, that Tepco has unlawfully used certain designs owned by Wallace exclusively and the Court has so held (R. 87). But the Court has also held that these same designs are not protected either by Design Letters Patent or by copyright (R. 85) and, therefore, Wallace has not established *prima facie* exclusive ownership in them. The Court has also held that the time for securing either copyright protection or Design Patent protection has long since passed (R. 85). This can only mean that the designs are now in the public domain for the free use of everyone, which means that it can now be determined with certainty that Plaintiff can never establish exclusive ownership in them. Tepco, therefore, should not have been enjoined from using designs and patterns which are freely available to everyone.

There can be no doubt that the judgment entered herein (R. 89) has the practical effect of a final decree for Wallace, as all of the issues have been decided with the result that



Tepco's business was stopped and its customers could not be supplied. Wallace, on the other hand, waited almost two years from the time Tepco first brought out its design (Plf. Ex. 2, R. 41, 46) to bring this suit and there is no more urgency now in the matter than there was nearly two years ago. With respect to the Tepco design known as "Tweed" (R. 57), Wallace waited nearly ten years after Tepco's use (Defs. Ex. J. R. 78). The urgency set up in the motion for preliminary injunction and referred to in the affidavits was the imminence of important exhibitions or restaurant shows which were to be held in the near future and particularly the show to be held in June of 1951 at the Shamrock Hotel in Houston (R. 23, 50, 54). This urgency was controverted and disappeared entirely when it was shown by the Tepco affidavits that it had no intention whatever of exhibiting in the Houston show (R. 73, 81).

It is well settled in this Circuit that the appellate court will reverse the order of the lower court granting a preliminary injunction when it appears that there was an abuse of discretion. See *Wilson v. The Best Foods*, 300 Fed. 484 (C.C.A. 9).

That there was an abuse of discretion in the granting of the preliminary injunction is manifest in that the District Court granted this extraordinary remedy when it was clearly erroneous both in law and in fact because:

(a) No *prima facie* ownership of any trade-mark, or even a trade-mark, had been established by Wallace.

(b) No jurisdiction of the trade-mark cause of action had been established under the Lanham Act because no registered trade-marks were involved and no amendment to the pleadings can show them as registered marks.

(c) The names alleged were obviously and admittedly descriptive, generic names identifying specific designs and of no trade-mark significance.

(d) No *prima facie* ownership of the designs forming the basis for the unfair competition cause of action was established in Wallace, nor could be established in Wallace, but on the contrary, the designs were shown to be in the public domain.

(e) Tepco has not been guilty of any misconduct in using designs in the public domain.

(f) There has been no passing off of Tepco products as and for that of Wallace either alleged or shown, nor can any be shown because each of the Tepco products is marked with its own trade-mark clearly identifying the source and origin.

(g) No urgency was shown requiring the immediate and drastic protection of Wallace's business or requiring a change in the *status quo*.

(h) The issuance of a preliminary injunction has the practical effect of a final decree for Wallace and should not have been entered at least until after a full hearing on the merits.

### **THE CAUSE OF ACTION FOR ALLEGED TRADE-MARK INFRINGEMENT**

As already pointed out, the complaint states that it is for alleged trade-mark infringement and is founded upon the Lanham Act, 15 U.S.C.A. § 1051-1127. It is fundamental that the remedies provided in the Lanham Act for trade-mark infringement relate to the protection of *registered* trade-marks, i.e., trade-marks registered in the United States Patent Office.

Section 1114 of the Act provides in part:

“Any person who shall, in commerce, (a) use, without the consent of the *registrant*, any reproduction, counterfeit, copy, or colorable imitation of *any registered mark* in connection with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services; \* \* \* shall be liable to a civil *action by the registrant* for any and all of the remedies hereinafter provided in this chapter,” (emphasis added)

One of the remedies provided in the Act is the right of a registrant to injunctive relief and is set out in Section 1116.

The remedies given in the Lanham Act for trade-mark infringement are only for those who first comply with the requirements of registration of trade-marks. Since the Court has held (R. 84) that no Federally registered trade-mark is involved, or any registered trade-mark, it is apparent that Wallace has not complied with the requirements of the Lanham Act, and, therefore, the remedies provided for trade-mark infringement are not available. There can be no dispute that the Court had no jurisdiction of any alleged cause of action for trade-mark infringement under the Lanham Act and the same should have been dismissed. No amendment to the pleadings can cure the defect of lack of Federal registration of these names.

**Not Only Is There a Total Lack of Jurisdiction for Any Alleged Cause of Action for Trade-Mark Infringement in This Case, but There Are No Allegations Which Could Form the Basis of a Cause of Action for Trade-Mark Infringement.**

Neither the complaint nor the motion for preliminary injunction, nor the supporting affidavits, nor the order to show cause, refer to *any* trade-mark, whether a registered or a common law trade-mark. There is no allegation or claim that the names "Hibiscus," "Magnolia," "Tweed" and/or "Shadowleaf" were adopted and used as trade-marks. On the contrary, the allegations and assertion of facts show that the names were adopted and used merely as designations for and descriptive of designs used to decorate chinaware. For example, in the complaint (R. 7)

"that defendants have copied various of plaintiff's original patterns, including *the patterns known by the trade names 'Shadowleaf,' 'Tweed,' 'Hibiscus,' and 'Magnolia,'* have applied said copied patterns to china and have sold and are selling said china to the great damage and injury to plaintiff \* \* \*."

In the complaint (R. 6):

"That Exhibit 1, attached hereto, is a pattern transfer originated by plaintiff and known by the trade name 'Shadowleaf,' said pattern being used by plaintiff on its china."

In the Motion for Preliminary Injunction (R. 21):

"1. Plaintiff is engaged in the manufacture and sale of hotel china *bearing the original patterns, such china being identified by plaintiff's trade names 'Shadowleaf,' 'Tweed,' 'Magnolia,' 'Hibiscus,' etc.'*"

\* \* \* \* \*

"3. Plaintiff has extensively sold hotel china *bearing its original patterns, under its trade names,* throughout California and in many other states."

In the affidavit of Kenneth O. Wood, President of Wallace (R. 39):

“that the corporation has spent time, effort and money in popularizing said distinctive patterns under the trade names ‘Shadowleaf,’ ‘Tweed,’ ‘Hibiscus,’ ‘Magnolia,’ etc.; *that said trade names are used in identifying specific and distinctive patterns* originated by deponent’s corporation;” (emphasis added).

### **Plaintiff's Notations Not Capable of Exclusive Appropriation as Trade-Marks**

Under the Judgment granting the preliminary injunction Tepco has been enjoined from using the words “Magnolia,” “Hibiscus,” “Tweed,” and “Shadowleaf,” which are held to be “trade-marks or trade names” owned by Wallace (R. 91) even though not pleaded as trade-marks or used as trade-marks. These allegations must have been intentionally omitted because Wallace could not state under oath that they were trade-marks.

Under the Lanham Act (15 U.S.C.A. § 1127) a trade-mark is defined as follows:

“The term ‘trade-mark’ includes any word, name, symbol or device or any combination thereof adopted and used by a manufacturer or merchant *to identify his goods and distinguish them from those manufactured or sold by others.*” (Emphasis added.)

The notations here sued upon and used by Wallace are not, in fact, names or words used by the manufacturer to identify his goods and distinguish them from the goods of others. They are merely designations of particular designs used to decorate standard hotel chinaware. The Court will observe that the only trade-mark used by Wallace to indi-



cate and identify chinaware manufactured by it consists of the words "Wallace China" and appears on the underside of the piece in the customary place (Plf. Ex. 1, Defs. Ex. G). It is used on every piece, regardless of the decoration used on the piece.

The word "Magnolia" is used by Wallace to designate a design pictorially showing magnolia blossoms and leaves in natural form (R. 60). The word "Hibiscus" is used by Wallace to identify a pattern pictorially showing hibiscus blossoms and leaves in natural form (R. 58). The term "Tweed" is used by Wallace to designate a design simulating the rough diagonal weave of the fabric known as "tweed" (R. 56). Wallace uses the notation "Shadowleaf" to designate a pattern which is a natural representation of tropical leaves with a shadowleaf background (R. 12). The designs are the likeness of the natural objects whose names they bear. Each one of these names is the word used by the public to describe and identify the same natural objects and reproductions of them. The names as applied to designs of this character are descriptive and the property of all of us. The use of these names to describe the natural objects and the representations of the natural objects belong to everyone and it is unthinkable that Wallace could be given the right of exclusive use of the word "Magnolia" for the purpose of identifying the artistic reproduction of a magnolia. And yet that is precisely what Wallace seeks in this lawsuit and what it received by the preliminary injunction.

These words are incapable of functioning as a trademark because they do not distinguish the goods from those of other manufacturers. Any manufacturer can make a de-

sign with a representation of a magnolia or hibiscus or any other object and call it by that name. The designs are each an embodiment of a natural object and the names denote the subject of designs and not the manufacturer or any manufacturer. Accordingly, they are incapable of functioning as a trade-mark.

In *Dollcraft v. Nancy Ann Story Book Dolls*, 94 F.S. 1; 88 U.S.P.Q. 18 (D.C.N.D. Calif.), the plaintiff claimed the exclusive right to the words "Red Riding Hood," "Little Bo Peep," "Little Miss Muffett," etc., for dolls portraying these fictional characters and had even secured registrations as trade-marks. The Court, in invalidating these trade-marks, held (p. 5):

"Each doll of such name is a manifestation of the fictional character itself, whose name served to identify and describe such doll. These names, as so applied, are descriptive; their use belongs to everyone and Nancy Ann cannot be given the right of their exclusive appropriation."

With respect to plaintiff's words "June Bride" and defendant's "June Girl" for bride dolls, the Court held (p. 5):

"The name denotes the doll, not the manufacturer; it is a descriptive name, invalid as a trade mark."

The situation here is precisely that in the case of *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, where the plaintiff claimed the exclusive right to the trade name "Shredded Wheat." Mr. Justice Brandeis in holding that the name was generic and not susceptible of any exclusive appropriation, said (p. 116):

"The plaintiff has no exclusive right to the use of the term "Shredded Wheat" as a trade name. For that is

the generic term of the article, which describes it with a fair degree of accuracy; and is the term by which the biscuit in pillow-shaped form is generally known by the public. Since the term is generic, the original maker of the product acquired no exclusive right to use it."

No trade-mark significance can attach to words which are so thoroughly descriptive and have no other significance. *Ex parte American Map Co.*, 85 U.S.P.Q. 51, 52 (Com. of Pat.). The primary purpose of a trade-mark is to distinguish the goods of one manufacturer from those of another and unless a trade-mark performs this function, the first user of it cannot be injured by the use of it by others, nor can the public be deceived.

In *Canal Co. v. Clark*, 80 U.S. 311, plaintiff sought the exclusive trade-mark right in the phrase "Lackawanna Coal" and probably was the first to use it. The Court held this phrase could not function as a trade-mark and stated (p. 323):

"Nor can a generic name, or a name merely descriptive of an article of trade, of its qualities, ingredients, or characteristics, be employed as a trade-mark and the exclusive use of it be entitled to legal protection."

and again at p. 327:

"True it may be that the use by a second producer, in describing truthfully his product, of a name or a combination of words already in use by another, may have the effect of causing the public to mistake as to the origin or ownership of the product, but if it is just as true in its application to his goods as it is to those of another who first applied it, and who therefore claims



an exclusive right to use it, there is no legal or moral wrong done. *Purchasers may be mistaken, but they are not deceived by false representations, and equity will not enjoin against telling the truth.*"

The District Court was clearly in error in granting the preliminary injunction enjoining Tepco from using the words "Magnolia," "Hibiscus," "Tweed" and "Shadowleaf," as being trade-marks exclusively owned by Wallace. No amendment can cure this fundamental defect in Wallace's case.

### **Plaintiff's Notations Are Not Even "Trade Names"**

The tenuousness and insincerity of Wallace's claims are exposed in that the notations "Magnolia," "Hibiscus," "Tweed," and "Shadowleaf" have been held by the District Court to be "trade-marks *or* trade names," in the alternative (R. 86). Obviously, they cannot be both trade-marks and trade names as they represent separate and distinct legal concepts. Here they are *neither* trade-marks or trade names under the Lanham Act.

*In re Lyndale Farm*, 186 F.(2) 723; 88 U.S.P.Q. 377, held (p. 726-727):

"Trade marks and trade names are distinct legal concepts within the ambit of the law of unfair competition. A trade mark is fanciful and distinctive, arbitrary and unique. A trade name may be descriptive, generic, geographic, common in trade sense, personal, firm, or corporate. A trade mark's function is to identify and distinguish a product whereas a trade name's function is to identify and distinguish a business. Prior to the Lanham Act the general requirement was

that a trade mark be affixed to the goods it was to identify and distinguish, while it was unnecessary to attach a trade name to merchandise. Trade marks have traditionally been protected by actions for trade mark infringement; trade names, by actions to restrain passing-off or unfair competition. The distinction between trade marks and trade names has been so well and so long established that we would not attribute to Congress the intention to dissolve the distinction merely on the strength of the possible inference contained in the fourth proviso of Section 15 of the Act. An inference is not a sufficient basis for any conclusion that Congress intended to merge well established and distinct common law concepts."

Since the Wallace names are admittedly not trade-marks (R. 39, 21) and cannot function as trade-marks, it is necessary to determine whether or not they are trade names. This is further required because the allegations of the complaint are directed only to Defendants' unauthorized use of *trade names* (R. 6, 7, 8 and 9).

It is clear from the provisions of the Lanham Act that the distinctions between trade-marks and trade names were to be maintained, for the definition of trade names is as follows (15 U.S.C.A. § 1127):

"The terms 'trade name' and 'commercial name' include individual names and surnames, firm names and trade names used by manufacturers, industrialists, merchants, agriculturists and others *to identify their business, vocations, or occupations*; the names or titles lawfully adopted and used by persons, firms, associations, corporations, companies, unions, and many manufacturing, industrial, commercial, agricultural, or other organizations engaged in trade or commerce

and capable of suing and being sued in a court of law.”  
(Emphasis added.)

Since the Wallace notations “Magnolia,” “Hibiscus,” “Tweed” and “Shadowleaf” merely describe and designate designs which decorate china (R. 5, 6, 7, 8 and 9) and are admitted to be such only (R. 21, 22, 24), they do not come within the definition of the Lanham Act as a “trade name” or “commercial name.” If any further clarification is needed it is quite obvious that these notations do not identify the Wallace “business,” “vocation,” or “occupation,” as required by the Lanham Act. In addition, there is no allegation that such notations perform these functions. Wallace’s reference to its words as “trade names” rather than “trade-marks” is a thinly veiled attempt to secure an advantage by confusion from the similarity of terms. Wallace knows they are not trade-marks and tested by the Lanham Act definition they are not even trade names. The finding that they are “trade-marks *or* trade names” when they are neither, is clearly error, and the preliminary injunction based upon this finding is improperly issued.

Wallace has completely failed to sustain the burden (1) of presenting any trade-mark which is entitled to the remedies provided for by the Lanham Act, and (2) to set forth a cause of action for trade-mark infringement. Obviously, where the remedies of the Lanham Act are not available to Wallace because of the failure to secure a registered trade-mark, the same remedies will not be given to Wallace or made available to Wallace on unregistered marks by merely referring to them as trade names and thus circumvent the purpose of the Act, which is the protection of registered

marks. It is apparent that if the same remedies could be obtained without registration, there would be no incentive or reason to go through the costly, time consuming, and sometimes disappointing experience of securing registration in the United States Patent Office. This Court will not permit Wallace to accomplish by indirection that which it could not accomplish directly.

**The Judgment Relating to Trade-Mark Infringement  
Should Be Reversed and the Cause Dismissed**

Merely calling the Wallace notations either trade-marks or trade names will not make them so in fact. Accordingly, under the showing here made by Wallace, the alleged trade-mark cause of action is obviously devoid of equity upon its face and the deficiencies are of such character as to be incapable of remedy by amendment to the pleadings or the offer of proof. Accordingly, it is proper and equitable for this Court upon this appeal from an order granting the temporary injunction, to dismiss the trade-mark cause of action before the answer is filed or proofs taken. This was the holding of *Mast, Foos & Co. v. Stover Mfg. Co.*, 177 U.S. 485. The Court speaking through Mr. Justice Brown stated the question as follows (p. 494):

“One of the principal questions pressed upon our attention related to the power of the Court of Appeals to order the dismissal of the bill before answer filed, or proofs taken, upon appeal from an order granting a temporary injunction.”

In affirming the Circuit Court of Appeals action, the Court stated (p. 495):

“Does this doctrine apply to a case where a temporary injunction is granted *pendente lite* upon affidavits and

immediately upon the filing of a bill? \* \* \* if the bill be obviously devoid of equity upon its face and such invalidity be incapable of remedy by amendment \* \* \* we know of no reason why, to save a protracted litigation, the court may not order the bill to be dismissed."

Accordingly, the judgment granting the preliminary injunction should be reversed and the cause of action relating to trade-mark infringement should be dismissed.

### **THE CAUSE OF ACTION ASSERTED BY WALLACE FOR ALLEGED UNFAIR COMPETITION**

In order for Wallace to be entitled to a preliminary injunction on the unfair competition cause of action, it must sustain its burden of showing, *first*, that the Court had jurisdiction of this cause of action under the Lanham Act, and, *second*, if the Court has jurisdiction, that a cause of action has been stated upon which the relief sought can be given. The failure of either of these points is fatal, requiring the judgment granting the preliminary injunction to be reversed and the action dismissed. Either failure is incapable of remedy by amendment of the pleadings.

### **The District Court Had No Jurisdiction of the Alleged Cause of Action for Unfair Competition as Set Forth in the Complaint**

It has been alleged, and the District Court has held, that it has jurisdiction of the unfair competition cause of action under the Lanham Act even though there is no diversity of citizenship, and even though it is not joined with a substantial and related claim under the copyright, patent or trade-mark laws. At the outset, one must face the unmis-



takable fact that the Lanham Act does not state anywhere in its text, that the Federal Courts shall have original jurisdiction of causes of action for unfair competition in the absence of diversity of citizenship or apart from infringement of a copyright, patent or trade-mark.

Wallace's attempt to secure Federal jurisdiction is based upon *its* interpretation of the opinion by this Court in the case of *Stauffer v. Exley*, 184 F.(2) 962; 87 U.S.P.Q. 7 (C.A. 9). Wallace relies upon this case as the authority for establishing that under the Lanham Act, Districts Courts shall have original jurisdiction of a naked claim for unfair competition. This, however, is not the holding of this Court.

In the *Stauffer* case, this Court concluded, as did the District Court, that the plaintiff had a valid trade name, "Stauffer System," to which it had the *exclusive* right, and that the defendant was using this trade name to mislead the public. Thus, there is very definitely a holding that the cause of action for unfair competition was coupled with an unlawful use of a trade name which was the exclusive property of the plaintiff, in this field. Thus, plaintiff clearly established that it had the exclusive property right in the trade name "Stauffer System" which was being injured directly by the conduct of the defendant.

This Court added an important limitation to its holding in the *Stauffer* case. Under the prior act, it was required to establish infringement in interstate or foreign commerce. Under the Lanham Act, however, it was only necessary to show that the infringer has used the trade-mark in commerce which Congress has the power to regulate. Also, it is clear that the Court relied heavily upon the fact that "Stauffer System" was a valid trade name under the Lan-

ham Act to which the plaintiff had the exclusive right for this field. The first limitation of the *Stauffer* case is that in the absence of a claim under the patent, copyright or trademark laws, the plaintiff must allege and prove some property to which it has the *exclusive* right.

When the *Wallace* case is tested by this limitation of the *Stauffer* case, it is apparent that the jurisdiction of the District Court cannot be sustained. There is no claim for patent, trade-mark, or copyright infringement involved and in view of the pleadings and holdings none can be alleged. Wallace has not alleged or even claimed, and cannot allege or claim a trade-mark or a trade name to which it has the *exclusive* right, or any other property to which it can claim the *exclusive* right. Thus, the present case fails to comply with this limitation of the *Stauffer* case, and, failing in this, there is no jurisdiction of the alleged cause of action for unfair competition.

### **The Allegations of the Complaint Do Not Set Forth a Cause of Action for Unfair Competition**

In any event Wallace has still failed to state a claim in unfair competition upon which relief, and particularly the preliminary injunction, can be granted.

At the outset it must be clearly understood that all competition, fair or unfair, has only one purpose and is designed to destroy the competitor's business or take away as much of it as possible, with consequent loss of profits and injury to his feelings and pocketbook. Free competition is the very spirit and meaning of business in the United States. The doctrine of unfair competition cannot be evoked to abridge freedom of competition. Thus, the wailings of Wallace that it is being hurt by Tepco's competition, that

it is losing business, that it believes its good will is being destroyed through the loss of business, and all the other pitiful clamor which it has set up, does not mean that there is *unfair* competition.

Of the acts of unfair competition alleged in the complaint herein, the only one found is in Conclusion of Law No. V (R. 87) which is that Tepco by copying and imitating Wallace patterns identified as "Magnolia," "Hibiscus," "Tweed" and "Shadowleaf" have competed unfairly with Wallace.

In order to sustain a claim for unfair competition, Wallace must have the exclusive right to the artistic property of these four designs in question. The findings disclose that there was no holding that Wallace owned the exclusive right to these designs but only that it was "entitled to the exclusive right to incorporate said patterns in hotel china as against" Tepco (R. 86). If this means that Wallace has the exclusive right to these designs then this is contrary to the law and the fact.

This Court has recently held in *Chamberlain v. Columbia Pictures Corporation*, 186 F.(2) 922; 89 U.S.P.Q. 7 (C.A. 9) that in order for a plaintiff to recover and secure the relief sought, it is necessary to allege that it has the exclusive right to the subject matter of the suit. In holding that the plaintiff did not have a monopoly and that it owned only a portion of the extant works of Mark Twain and, therefore, could not sustain a cause of action for unfair competition, the Court, speaking through Circuit Judge Orr, stated (p. 925):

"In order to entitle appellants to the relief sought *it would be necessary for them to allege that they have an exclusive right to the use of the story in question and they must be injured directly by appellee's acts.*"



Not only does Wallace not have the limited monopoly and exclusive rights afforded by Design Letters Patent covering these four patterns, but the holding that the time has passed in which such monopolies could have been obtained (R. 85), means that *it cannot by amendment or otherwise claim the exclusive right in these four designs.*

**Wallace Does Not Have and Cannot Assert Exclusive Ownership  
of the Designs Used to Decorate China**

There are four designs used by Wallace mentioned in the complaint which it claims to own exclusively. One described as "Magnolia" is the pictorial representation of magnolia blossoms and leaves (R. 60). Another known and described as "Hibiscus" is a pictorial representation of hibiscus blossoms and leaves (R. 58). The third, known as "Tweed," is a diagonal uneven line made to simulate the rough weave of the fabric known as "tweed" (R. 56), and the fourth, known and described as "Shadowleaf" is the pictorial representation of tropical leaves with shadowleaves in the background (R. 12). Wallace alleges with respect to these designs (R. 5)

"Plaintiff corporation has employed artists to create and design new, unique, and original patterns and developed distinctive patterns."

The four patterns identified are the distinctive patterns which are the subject matter of this suit.

It is clear from the allegations that Wallace is claiming the exclusive right to these designs as the inventor of new, unique and original patterns. The inventor or originator of new and original designs can claim ownership in only two distinct and separate ways, one at common law, and the

other under the Design Patent Statute. Ellis *Patent Assignments and Licenses*, 2nd Ed. (1943) p. 1.

The distinction between these two rights is carefully set forth by Mr. Justice Harlan in *Patterson v. Commonwealth*, 97 U.S. 501; 24 L.Ed. 1115 (p. 507):

“Although the inventor had at all times the right to enjoy the fruits of his own ingenuity, in every lawful form of which its use was susceptible, yet, before the enactment of the statute, he had not the power of preventing others from participating in that enjoyment to the same extent with himself; so that, however the world might derive benefit from his labors, no profit ensued to himself. The ingenious man was therefore led either to abandon pursuits of this nature or conceal his results from the world. The end of the statute was to encourage useful inventions, and to hold forth, as inducements to the inventor, the exclusive use of his inventions for a limited period. The sole operation of the statute is to enable him to prevent others from using the products of his labors except with his consent.”

Wallace had the same options. It could (a) claim ownership of these designs at common law, in which event it could either keep them secret or make, use and sell them without the power of preventing others from doing the same thing or deriving any profit therefrom, or (b) it could have availed itself of the protection of the patent statute and secured Design Letters Patent, which would have provided it with the right to exclude others, including Tepco, from making, using or selling these designs. The Court has held that none of these four designs or patterns was protected by Design Letters Patent or the statutory protection pro-

vided by the copyright laws and that the time for so doing had long since passed (R. 85). Under the law this can only mean that Wallace is relying upon, and can only rely upon, its common law rights which do not carry with it the legal right to prevent others from making, using or selling the designs of these inventions.

It is apparent that these designs were not kept secret for Wallace has used these designs to decorate chinaware shipped both in interstate and intrastate commerce (R. 5). It must necessarily follow, therefore, that these designs are in the public domain through the voluntary conduct of Wallace and, being in the public domain, these designs are available for the free use of any member of the public, including Tepco, without any remuneration to Wallace.

### **Tepco Justified in Using Designs in the Public Domain**

The law is perfectly clear that there can be no tort or wrong committed by Tepco, or any other member of the public, in using a design which is in the public domain.

In *Marcus Window Display v. New England Decorators'*, 88 U.S.P.Q. 310 (D. C. Mass. - 1951), the action was for copyright infringement and unfair competition. The opinion is directed to plaintiff's Motion to Dismiss defendant's counterclaim and strike a paragraph of the Answer. District Judge Ford, in granting these motions and dismissing the counterclaim, held (p. 311):

"Passing the question whether the counterclaim on page 8 of defendant's answer is a compulsory counterclaim or a permissive one requiring independent grounds of jurisdiction that are not present in the present case, *yet the contention of plaintiff is correct that it does not state a claim upon which relief can be*

*granted. The claim alleges merely that plaintiff 'has copied designs original with the defendant.' The designs copied are not covered by design patents nor copyrighted and there is nothing unlawful in copying the designs. See cases collected in Unique Art Manufacturing Co., Inc. v. T. Cohn, Inc., 178 F.2d 403 (83 U.S.P.Q. 533)."* (Emphasis added.)

In *Cheney Brothers v. Doris Silk Corp.*, 35 F.2d 279; 3 U.S.P.Q. 162 (C.C.A. 2 - 1929) cert. den. 281 U.S. 728 the case was brought on appeal from an order of the District Court denying an injunction *pendente lite* to enjoin the Defendant's unfair competition. The plaintiff was a manufacturer of silks which puts out many new patterns each season designed to attract purchasers by their novelty and beauty. In practice it was impractical to cover each of these patterns with a design patent. The Court also noted that it was impossible under the copyright law to protect them with a copyright (17 U.S.C. Section 1 *et seq.*). *Thus, the plaintiff was without any statutory protection.* Taking advantage of this situation, the defendant copied one of the popular designs and undercut the plaintiff's price therefor and it was this conduct which brought about the suit for unfair competition. The Court charged the defendant with knowledge of the fact that it was copying Plaintiff's designs. In the opinion by Circuit Judge Learned Hand, it was held (p. 280):

"The upshot must be that, whenever anyone has contrived any of these, others may be forbidden to copy it. That is not the law. *In the absence of some recognized right at common law, or under the statutes—and the plaintiff claims neither—a man's property is limited to the chattels which embody his invention. Others may*

*imitate these at their pleasure.* Flagg Mfg. Co. v. Holway, 178 Mass. 83, 59 N.E. 667; Keystone Co. v. Portland Publishing Co., 186 F. 690 (C.C.A. 1); Heide v. Wallace, 135 F. 346 (C.C.A. 3); Upjohn Co. v. Merrell Co., 269 F. 209 (C.C.A. 6); Hudson Co. v. Apco Co. (D. C.) 288 F. 871; Crescent Tool Co. v. Kilborn & Bishop Co., 247 F. 299 (C. C. A. 2); Hamilton Co. v. Tubbs Co. (D. C.), 216 F. 401; Montegut v. Hickson, 178 App. Div. 94, 164 N.Y.S. 858."

In *Verney Corp. v. Rose Fabric Corp.*, 87 F.S. 802; 83 U.S.P.Q. 386 (DC SD New York - 1949) suit was brought for copyright infringement and for unfair competition. The case arose on two motions, one a motion by plaintiff for a preliminary injunction and the other a motion by defendant to dismiss for failure to state a claim upon which relief may be granted. With respect to the plaintiff's design, which was the subject matter of the suit, the Court, District Judge Coxe, stated (p. 803):

"Plaintiff's design is not an artistic reproduction of a single chrysanthemum, *but an artistic reproduction of several curly chrysanthemums, each surrounded by similar curly lines, so that they all blend into a harmonious whole.* It appears from the affidavits submitted, and from an inspection of the dresses exhibited on the argument that *the design is printed in a continuous running form, repeating the design over and over*, in distinctive colors, upon the fabric from which the dresses are made, and also that the fabric itself is in distinctive colors. There is no showing by plaintiff that there was any copyright notice upon each repetition of the design. Defendants contend not only that the copyright is invalid but also that, if it is valid, copyright protection has been lost through publication without a proper copyright notice."



On the copyright cause of action, the Court held (p. 804):

“While the design may have been properly registered as a print for an article of merchandise, plaintiff, by printing it on the fabric from which the dresses are manufactured, uses the design as a part of the article of merchandise itself. It is obviously not used in connection with a sale or an advertisement of either the fabric or the dresses, *but is an attempt by plaintiff to obtain a monopoly of the design in the manufacture of dress fabrics and dresses, to which it is not entitled.* \* \* \* plaintiff’s copyright on the design has been lost by failure to publish on the fabric and the dresses, in connection with the design, the proper copyright notice. ‘Every reproduction of a copyrighted work must bear the statutory notice.’ (DeJonge & Co. v. Breuker & Kessler Co., 235 U.S. 33, 36.)” (Emphasis added.)

On the unfair competition cause of action, the Court held (p. 804):

“As to the second count for unfair competition, the case is indistinguishable from *Cheney Bros. v. Doris Silk Corp.*, 2 Cir., 35 F.2d 279 (3 U.S.P.Q. 162), Cert. denied 281 U.S. 728, *where it was held that anyone might copy plaintiff’s silk patterns which had not been protected by a design patent or by a copyright.* See also *Lewis v. Vendome Bags, Inc.*, 2 Cir., 108 F.2d 16 (43 U.S.P.Q. 477), Cert. denied 309 U.S. 660 (44 U.S. P.Q. 719), and *Electric Auto-Lite Co. v. P. & D. Mfg. Co.*, 2 Cir., 109 F.2d 566 (44 U.S.P.Q. 377). The New York law is also in accord with these decisions. (*Maveco, Inc. v. Hampdon Sales Ass’n.*, 273 App. Div. 297 (77 U.S.P.Q. 62; *Margolis v. National Bellas Hess Co.*, 139 Misc. 738.)”

**Wallace Seeks a Monopoly in Perpetuity of Designs Now Belonging to Everyone and a Monopoly Far Greater Than the Constitution Authorized Congress to Grant.**

The patent laws, which include those relating to designs, were passed by Congress pursuant to Article I, Section 9 of the Constitution which authorized Congress to secure "for limited times to authors and inventors the exclusive right to their respective writings and discoveries." The Copyright Act (17 U.S.C.A.) was passed by Congress for the protection of authors and the patent statute (35 U.S.C.A.) was passed for the protection of inventors. Each provided for limited monopolies. Design Patents may be secured for periods of three and one-half years, seven years and fourteen years and may not be renewed. At the expiration of the patent, the design belongs to the public, free and clear. Under the Copyright Act, the monopoly is for a period of twenty-seven years and may be renewed for one additional period under certain conditions extending the time to a total of sixty-four years. By its complaint for unfair competition, Wallace is requesting a court of equity to grant it a perpetual monopoly with respect to designs which are in the public domain. It is requesting, and so far has received, rights which are more extensive and more far reaching than Congress is permitted to grant under the Constitution. It is asking the Court to grant these rights without the official examination made by the Patent Office as to the novelty or invention of these designs at a time after it would be possible to secure such protection in legitimate channels through the procedure of the Patent Office. the inequity and effrontery of such requests have been recognized by the Courts and summarily refused.

In *Cheney Brothers v. Doris Silk Corporation*, 35 F.(2) 279; 3 U.S.P.Q. 162 (C.C.A. 2), cert. den. 281 U.S. 728, Circuit Judge Learned Hand, stated with respect to the facts previously discussed herein (*Supra*, p. 30), as follows (p. 280) :

“Qua patent, we should at least have to decide, as *tabula rasa*, whether the design or machine was new and required invention; further, we must ignore the Patent Office, whose action has always been a condition upon the creation of this kind of property. Qua copyright, although it would be simpler to decide upon the merits, we should equally be obliged to dispense with the conditions imposed upon the creation of the right. Nor, if we went so far, should we know whether the property so recognized should be limited to the periods prescribed in the statutes, or should extend as long as the author’s grievance. It appears to us incredible that the Supreme Court should have had in mind any such consequence. To exclude others from the enjoyment of a chattel is one thing; *to prevent any imitation of it, to set up a monopoly in the plan of its structure, gives the author a power over his fellows vastly greater, a power which the Constitution allows only Congress to create.*”

There is no justification or excuse for Wallace to seek an unlimited monopoly in perpetuity, covering designs which are now in the public domain and thus eliminate the free competition which has existed. The mere solicitation of a Court of Equity to perpetrate this restraint of trade shocks the conscience. Since the District Court did not, this Court must protect the public from such an abuse.



### **Tepco Did Not Pass Off Its Products as and for Wallace's**

There remains the question as to whether Tepco competed fairly with Wallace in exercising its rights to use the generic names and in using designs which are in the public domain. The law does not require that there be no possibility of error or confusion. *Canal Co. v. Clark*, 80 U.S. 311, 327 (supra, p. 18). Tepco, as a member of the public, is free to use the generic names and designs but the law imposes a duty on it to identify its products lest they be mistaken for those of Wallace, or any other manufacturer.

In *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, at p. 120, Mr. Justice Brandeis stated:

“The question remains whether Kellogg Company in exercising its right to use the name ‘Shredded Wheat’ and the pillow-shaped biscuit, is doing so fairly. *Fairness requires that it be done in a manner which reasonably distinguishes its product from that of plaintiff.*”

In *Swanson Mfg. Co. v. Feinberg Mfg. Co.*, 54 F.S. 805; 59 U.S.P.Q. 10 (D.C. S.D. N.Y.), Judge Leibell held (p. 15):

“Since the coin rack may be manufactured by all (its patent is invalid) plaintiff could not assert exclusive rights *in the form ‘in which the public had become accustomed to see the article.’* Defendants in turn were free to use that form of coin rack and purse but there rested upon them the duty to identify their product lest it be mistaken for plaintiffs’ and to use means which would reasonably distinguish defendant’s product from that of plaintiff.” (Emphasis added.)

There is no dispute that Tepco has marked all of its products, including those complained of here, with its own

trade-mark "TEPCO" (R. 73, 79), and that this trade-mark is placed on the bottom of the ware (Plf. Ex. 2, Defs. Ex. D, E, F, H) under the glaze and in the place where the public has been accustomed to look for the manufacturer's mark as indicating the source of origin of the chinaware. Likewise the cartons in which the goods are shipped are plainly marked "From TEPCO CHINA Co. El Cerrito, California" (R. 17). No one who can read can be misled in any way.

There is no showing and there are no allegations by Wallace that Tepco has offered any of its products for sale or has sold any of its products as and for those of Wallace. On the contrary, the affidavits of dealers, offered by Wallace (R. 24, 35), establish beyond any doubt that the sale to them of Tepco's chinaware, with the designs here complained of, were made by Antone Pagliero "representing Technical Porcelain and Chinaware Co. of El Cerrito, California," also known as Tepco (R. 26, 36).

Tepco has taken every reasonable and customary step to see that its products are properly marked with the source of origin and when sales were made; it has taken the precaution in making sales to see that there were no misrepresentations and that the dealers were fully advised Mr. Antone Pagliero was representing and acting on behalf of Tepco and so understood it.

In a recent case, this Court has held that where there was in fact no misrepresentation and no passing off, a cause of action for unfair competition was not stated. In the case of *Chamberlain v. Columbia Pictures Corp.*, 186 F.(2) 922; 89 U.S.P.Q. 7 (C.A. 9), action was brought for trade-mark infringement and for unfair competition. The

trial court dismissed the complaint on motion and in affirming the dismissal, Circuit Judge Orr held (p. 925):

*"We are not concerned with proof. At first blush it might be said that the allegations made fit snugly into the provisions of § 1125, T. 15 U.S.C.A. However, we do not think said section changes the fundamental requirements necessary to sustain a suit for unfair competition, one such requirement being a direct injury to the property rights of a complainant by passing off the particular goods or services misrepresented as those of complainant. Deceiving the public by fraudulent means, while an important factor in such a suit, does not give the right of action unless it results in the sale of the goods as those of the complainant."* (Emphasis added.)

Both Antone and Arthur Pagliero stated under oath that Tepco products, no matter what color, design or designation, have never been, and would not be permitted to be, passed off as and for the product of any other manufacturer including Wallace (R. 73, 79).

The defect of Wallace's failure to allege the passing off of Tepco's products as and for Wallace's, cannot be cured by amendments to the pleadings. The affidavit of Antone Pagliero, who handles all of the sale for Tepco (R. 74), establishes the unassailable fact that Tepco sells only to dealers (R. 75). The purchasers of Tepco's products are men skilled in the handling of chinaware and know that each piece is properly marked with the source of origin in Tepco, and could not be fooled or misled in any way. Likewise, the public has been schooled for years in identifying the origin of chinaware by referring to the manufacturer's mark on the bottom thereof, so that Tepco has at all times

provided the usual and customary means for correctly identifying the source of origin of each piece as being the manufacture of Tepco and not Wallace. No one, therefore, could be deceived under any circumstances.

In addition, Tepco is no "fly-by-night" organization. The father of Arthur and Antone Pagliero founded the first vitrified china plant on the Pacific Coast in 1910 (R. 68). The present business was founded in 1920 (R. 75). It owns one of the most modern and up-to-date plants for the manufacture of vitrified hotel china in the United States (R. 75). Both of these brothers, as their father before them, have literally spent their entire lives in this industry (R. 68, 75). This is a family business of long standing and they are justifiably proud of their own Tepco products and reputation (R. 79, 73). They do not want to and do not need to trade on any one's reputation, as their own is quite the equal of any other manufacturer, including Wallace.

**Under the Authority of the Mast, Foos Case, the Preliminary Injunction Should Be Dissolved and the Cause of Action for Unfair Competition Dismissed.**

The situation with respect to the Wallace claim for alleged Federal unfair competition is precisely the same as that of its charge for Federal trade-mark infringement previously discussed. (Supra, p. 22).

The complaint shows on its face that it is completely devoid of equity. It has been shown from the allegations that the Court does not have jurisdiction of the cause of action for unfair competition. It has likewise been shown that if this Court should conclude there was jurisdiction, then a Federal cause of action for unfair competition has not been stated, *first*, because Wallace does not own the ex-

clusive right to the designs which are the subject matter of this cause of action; *second*, because in using the alleged designs, Tepco has taken every reasonable precaution to identify each of its products with its own trade-mark for permanent and ready identification of the true source of origin; and, *third*, because there is no allegation that Tepco has in any way passed off its products as and for those of Wallace.

In addition, it has also been shown that the jurisdictional failure cannot be cured by amendment. Also, the failure to state a cause of action cannot be cured by amendment, not only because of the admittedly fair nature of the sales, but also because of the permanent, ready identification of each piece as to its proper origin in Tepco.

In the case of *Mast, Foos & Co. v. Stover Mfg. Co.*, 177 U.S. 494, under similar circumstances where the trial court had granted a temporary injunction and the Circuit Court of Appeals had not only dissolved the injunction and dismissed the bill before any proofs were taken, the Supreme Court in affirming the action of the Circuit Court of Appeals dismissing the bill stated (p. 495):

“\* \* \* if the bill be obviously devoid of equity upon its face, and such invalidity be incapable of remedy by amendment; or if the patent manifestly fail to disclose a patentable novelty in the invention, we know of no reason why, to save a protracted litigation, the court may not order the bill to be dismissed. \* \* \*

“There was no error in the action of the Circuit Court of Appeals, and its decree is affirmed.”



**CONCLUSION**

Stripping the Wallace case of the emotion and pathos injected to engender sympathy and obscure truth, the skeleton is revealed, a portent of the future if this appeal fails. The skeleton exposes that Wallace has not stated a cause of action for Federal trade-mark infringement, nor has it stated a Federal cause of action for unfair competition—and it knows that it has not. This suit, therefore, is a calculated step to take from the public, names and artistic property which are for the enjoyment and use of all of us and, with the aid of the Court, establish a perpetual personal monopoly vastly greater than the Constitution permits, in defiance of the patent laws. The granting of the preliminary injunction establishing this monopoly and restraint of trade in Wallace, is the clearest kind of abuse of discretion and should be summarily reversed.

Under these circumstances, it is completely evident that no amount of amendment to the pleadings can establish equity in Wallace, and Tepco should be spared the necessity and expense of unreasonable litigation. It is respectfully submitted that this Court should reverse the judgment of the District Court with instructions to dismiss the complaint.

Dated: San Francisco, California, December 27, 1951.

Respectfully submitted,

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